

Message Text

LIMITED OFFICIAL USE

PAGE 01 WARSAW 06260 040813Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 PA-01 PRS-01 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 /057 W

----- 117647

R 040721Z SEP 76

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 3681

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

LIMITED OFFICIAL USE WARSAW 6260

E.O. 11652: N/A

TAGS: ECON, PL

SUBJECT: PRICE INCREASES

REF: WARSAW A-298

1. SUMMARY: THE POLISH STATE PRICE COMMISSION ANNOUNCED ON SEPTEMBER 1 THAT PRICES OF SOME AUTOMOBILES WOULD BE INCREASED EFFECTIVE IMMEDIATELY. INTRODUCTION OF THE HIGHER PRICES COMES ON THE HEELS OF A PRESS CAMPAIGN TO DETER SPECULATION AND PROFITEERING IN CAR SALES. END SUMMARY.

2. THE POLISH PRICE COMMISSION ANNOUNCED ON SEPTEMBER 1 THAT THE PRICE OF THE DOMESTICALLY DESIGNED AND PRODUCED "SYRENA" 105 WAS TO BE INCREASED FROM 74,000 ZLOTYS TO 94,000 ZLOTYS EFFECTIVE IMMEDIATELY. THE PRICE OF THE POLSKI FIAT 125P WAS NOT CHANGED, BUT A NEW PRICE OF 87,000 ZLOTYS (AN INCREASE OF 26 PERCENT) WAS ANNOUNCED FOR THE SMALLER AND

LIMITED OFFICIAL USE

PAGE 02 WARSAW 06260 040813Z

MORE POPULAR FIAT 126P. FOR POLES WHO HAD ARRANGED BEFORE

MAY 15, 1975, TO PURCHASE THE 126P THROUGH PREPAYMENT AT THE PKO BANK, THE OLD PRICE OF 69,000 ZLOTYS WILL BE CONTINUED DESPITE THE FACT THAT "PRODUCTION COSTS AND THE COSTS OF IMPORTED CO-PRODUCTION COMPONENTS HAVE INCREASED."

3. COMMENT: THE MAINTENANCE OF THE OLD PRICE FOR PREPAYMENTS ARRANGED BEFORE THE MAY 15, 1975, DEADLINE FOLLOWS OTHER BANKING MEASURES ANNOUNCED ON AUGUST 6 WHICH WERE DESIGNED TO LENGTHEN THE TERM STRUCTURE OF SAVING AND TO IMMOBILIZE PART OF THE ZLOTY "OVERHANG" WHICH IS FUELING INFLATIONARY PREASSURES IN THE ECONOMY. (FULL DETAILS WERE REPORTED IN WARSAW A-298.) IN RAISING THE ZLOTY PRICES OF THE SYRENA AND THE FIAT 126P TO THEIR NEW LEVELS, THE REGIME HOPES TO UNDERCUT THE RAMPANT SPECULATION IN CAR REALES AND BRING THE BLACK-MARKET EXCHANGE RATE BETWEEN THE TWO FIAT MODELS INTO CLOSER PARITY. DOLLAR RICES FOR THE 125P AND THE 126P STAND AT 1,950 DOLLARS AND 1,150 DOLLARS RESPECTIVELY (THE SYRENA IS NOT SOLD FOR DOLLARS). THE IMPLIED EXCHANGE RATE FOR THE MORE POPULAR 126P WAS ONLY 60 ZLOTYS PER DOLLAR AT THE OLD PRICE, WHILE THE PRICE OF THE LESS POPULAR 125P YIELDS AN IMPLICIT EXCHANGE RATE OF APPROXIMATELY 100 ZLOTYS PER DOLLAR. BECAUSE OF THE LONGER QUEUING TIME FOR ZLOTY PURCHASERS OF THE 126P (THREE-TO-FIVE YEARS VS. ONE YEAR-TO-18 MONTHS FOR THE 125P) AND THE RELATIVELY LOW PRICE VIS-A-VIS THE 125P, SPECULATORS WERE ABLE TO COMMAND A PRICE OF UPWARDS OF 100,000 ZLOTYS FOR THE 126P. BY RAISING THE ZLOTY PRICE TO ITS NEW LEVEL, THE REGIME SHOULD BE ABLE TO CAPTURE A PORTION OF THIS SPECULATIVE PROFIT. THIS ACTION FOLLOWS A RECENT PRESS CAMPAIGN WHICH STRONGLY ATTACKED SPECULATORS AND THEIR QUASI-LEGAL PRIVATE AUTO AUCTIONS. TO FURTHER THWART SPECULATION, THE SUPREME COURT OF WARSAW VOIVODSHIP RECENTLY HANDED DOWN THE DECISION THAT SELLING A CAR FOR SPECULATIVE PROFIT WAS A CRIME, INDEPENDENT OF THE PAYMENT OF TAXES TO FISCAL AUTHORITIES. END COMMENT.

DAVIES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, AUTOMOTIVE INDUSTRY, BANKS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976WARSAW06260
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760336-0628
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760988/aaaacxxy.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 WARSAW A-298
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 12 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 APR 2004 by CollinP0>; APPROVED <02 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRICE INCREASES
TAGS: ECON, PL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006